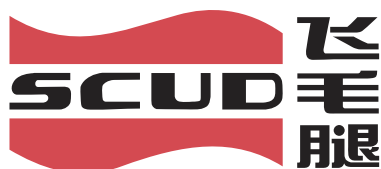


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*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any Shares in the Company.*



## **SCUD GROUP LIMITED**

**飛毛腿集團有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1399)**

### **DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION RESIGNATION OF AUDITORS GENERAL UPDATE RESUMPTION OF TRADING**

#### **THE ACQUISITION**

The Board is pleased to announce that on 12 December 2007, the Company entered into the Agreement with the Vendor pursuant to which the Vendor agreed to procure the sale of the Sale Interest (being 100% equity interest in CLTT) to the Purchaser and the sale of the Sale Assets to CLTT. The Purchaser is ultimately owned as to 70% by the Company and 30% by the Vendor. The Sale Assets, related senior management and employees who are expected to join CLTT as from the CLTT Completion Date have previously been responsible for managing the manufacture and sale of rechargeable battery packs for mobile phones under the “*Chaolitong 超力通*” brand in China. “*Chaolitong 超力通*” is one of the largest rivals to the “*SCUD 飛毛腿*” brand of rechargeable battery packs for mobile phones in China.

The total consideration for the Acquisition is up to RMB245 million, whereby RMB37 million will be paid for the purchase of the Sale Interest and the Sale Assets and the balance of up to RMB208 million to the Vendor. The RMB208 million consists of RMB91 million in cash and up to RMB117 million to be satisfied by the issue of at least 30 million and no more than 60 million Consideration Shares at HK\$2.05 if NPAT Targets are met or exceeded for FY2008, FY2009 and FY2010.

\* *for identification purpose only*

## **GENERAL**

As the relevant percentage ratios for the 5 tests set out in Rule 14.07 of the Listing Rules for all the transactions contemplated under the Agreement exceed 5% but are less than 25%, the entering into the Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. Further due to the Vendor being a 30% shareholder of the Purchaser, the Acquisition constitutes a connected transaction (as defined in the Listing Rules) under Chapter 14A of the Listing Rules.

A circular containing details of the Acquisition will be dispatched to the Shareholders as soon as practicable.

The Board also announces that on 11 December 2007, it had received a letter from Deloitte notifying the Company of Deloitte's resignation as auditors of the Group with effect from 10 December 2007. The Company is given to understand that Deloitte needs to devote significant additional resources to audit the loss of inventories and products during the fire which occurred on 31 May 2007, thus resulting in a significant increase in the audit fee, details of the fire are set out in the Company's announcement dated 1 June 2007. The Company and Deloitte could not reach a consensus on the audit fee and as a result Deloitte resigned as the auditors of the Group.

The Group is also progressing its full resumption of production as planned. It has also received insurance compensation of approximately RMB52.2 million from its insurers in respect of its losses due to the fire reported in the Company's announcement dated 1 June 2007.

At the request of the Company, trading in the Shares was suspended at 9:30 a.m. on 12 December 2007 pending the release of this announcement with details of the Acquisition. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 21 December 2007.

## **THE ACQUISITION**

### **The Agreement**

#### **Parties:**

Vendor: Mr. Ma Yuk Sang.

He is the 30% shareholder of the Purchaser, a 70% indirect subsidiary of the Company. As a substantial shareholder of an indirect subsidiary of the Company, Mr. Ma is a connected person of the Company.

Purchaser: The Company.

## Subject Matter of the Agreement

Pursuant to the Agreement, the Vendor has agreed to procure the sale of the Sale Interest (being 100% equity interest in CLTT) to the Purchaser and the sale of the Sale Assets to CLTT. In light of the fact that the Sale Assets will constitute a new production line after the Acquisition, as a commercial decision, the Company decided to purchase the Sale Assets via CLTT, a company that is not currently engaged in any business activities and not part of the Group prior to the Acquisition. If it had invested through an existing subsidiary of the Company, then those existing businesses would be subject to the potential risks of the new business. The Purchaser is ultimately owned as to 70% by the Company and 30% by the Vendor. The Vendor does not and will not (save through his 30% stake in the Purchaser) on implementation of the Acquisition, own the Sale Assets. Accordingly he has not and will not have incurred any “purchase cost” for the Sale Assets before the acquisition by the Group. The Sale Assets, related senior management and employees who are expected to join CLTT as from the CLTT Completion Date have previously been responsible for managing the manufacture and sale of rechargeable battery packs for mobile phones under the “*Chaolitong 超力通*” brand in China. “*Chaolitong 超力通*” is one of the largest rivals to the “*SCUD 飛毛腿*” brand of rechargeable battery packs for mobile phones in China. The Sale Assets do not represent all assets of CLTE. The Sale Assets only represent some of assets of CLTE such as fixed assets and intellectual property rights. It does not include CLTE’s accounts receivables, interest in real properties and that part of the inventory which the Group may not acquire. The Group does not intend to acquire such other assets of CLTE or assume its liabilities.

## Consideration

The Company has agreed to pay up to RMB245 million as the total consideration payable pursuant to the Agreement as follows:–

- (i) RMB37 million to be injected into CLTT through the Purchaser to fund the purchase of the Sale Interest from CLTE as well as to ultimately pay CLTE not more than RMB36.5 million for the Sale Assets. The Sale Assets (excluding the raw materials which is the subject of the adjustment detailed below and the intellectual property rights which were not the subject of the valuation report referred to below), amount to RMB11,476,845 based on a valuation report dated 10 December 2007 prepared in the PRC and its book value is RMB11,617,981 based on audited accounts for the nine months ended 30 September 2007 prepared in accordance with PRC GAAP. Such funds would be advanced by the Company to the Purchaser (a 70% subsidiary of the Company) on the CLTT Approval Date and, subject to compliance with the relevant Chinese regulatory requirements, CLTT would then complete the purchase of the Sale Interest and the Sale Assets on the CLTT Completion Date ; and
- (ii) up to RMB208 million to the Vendor, of which RMB91 million is to be paid in cash in HK\$ on the CLTT Completion Date to the Vendor and the balance of RMB117 million is to be satisfied by the issue of an aggregate of 30 million Consideration Shares to the Vendor at HK\$2.05 (based on the 20 day average closing price immediately preceding suspension of trading in the Shares) per Share three months after the CLTT Completion Date, and of up to an additional 30 million Consideration Shares at HK\$2.05 per Share in three tranches to the Vendor if CLTT achieves or exceeds the specified NPAT Targets for FY2008, FY2009 and FY2010 as described below. Therefore, if the NPAT

Targets for any of those years is not met, the maximum number of Consideration Shares will not be issued to the Vendor and the total consideration payable pursuant to the Agreement will be reduced accordingly;

The Vendor has confirmed that as part of his arrangements with the Original Shareholders, assuming the Original Shareholders comply with the agreed terms, he will be entitled to 0.5% of the Consideration. If the Original Shareholders do not abide by their undertakings and/or the NPAT Targets are not met, the Original Shareholders entitlement to the Consideration will be accordingly reduced.

There are four tranches of Consideration Shares to be issued to the Vendor. Save for the first tranche which will be issued three months after the CLTT Completion Date, the number of Consideration Shares to be issued in the remaining three tranches will be issued by the Company at the end of the relevant financial years subject to the NPAT Targets being met.

The NPAT Targets for FY2008, FY2009 and FY2010 and the number of Consideration Shares to be issued if each NPAT Target is met or exceeded is set out below:–

<b>Maximum number of shares to be issued in each tranche</b>	<b>NPAT Target</b>
10,000,000	RMB50 million (approximately HK\$52.6 million) for FY2008
10,000,000	RMB55 million (approximately HK\$57.9 million) for FY2009
10,000,000	RMB60 million (approximately HK\$63.2 million) for FY2010

If any of the NPAT Targets is not met, the corresponding Consideration Shares will not be issued to the Vendor and the consideration payable pursuant to the Agreement will be reduced accordingly. Should the NPAT be met or exceeded, the Company will issue the above Shares as soon as practicable following receipt of confirmation of the relevant audited NPAT results for the relevant financial year.

The issue price per Consideration Share is HK\$2.05. It represents a 13.5% discount to the last closing price of the Shares on 11 December 2007 of HK\$2.37 and a 7.66% discount to the average closing price of the Shares for the 5 trading days ended on 11 December 2007 of HK\$2.22, being the last trading day prior to the suspension in trading of the Shares pending this announcement. Based on the last closing price of the Shares of HK\$2.37, the maximum number of Consideration Shares is valued at HK\$142.2 million.

The Company will make further announcement(s) in accordance with Rule 14A.57 of the Listing Rules if any of the NPAT Targets are not met.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor with reference to the past sales and financial performance of the “*Chaolitong 超力通*” business (see “Information on the Vendor, CLTT, CLTE and the “*Chaolitong 超力通*” Business” below), the registered capital of CLTT (RMB2 million) and an agreed valuation of the Sale Assets (subject to adjustment described below), details of which adjustment which will be agreed prior to the CLTT Completion Date.

The Company also took into account the synergies and benefits that are expected to accrue to the Group as a result of such acquisition (see “Reasons for the Acquisition” below) and the undertakings from the Vendor in respect of the NPAT Targets. The maximum Consideration of RMB245 million is 7 times, 6.4 times and 5.8 times the NPAT Target for FY 2008, FY2009 and FY2010 respectively; and the minimum cash Consideration of RMB128 million (assuming that none of the NPAT Targets are met) is 6.7 times the FY2006 net profit after taxation of CLTE. By way of illustration only, bearing in mind the differences in time periods and taking into account the highest and lowest traded price of the Shares prior to the fire in May 2007 (further details of which are set out in the Company’s announcement dated 1 June 2007) of HK\$3.73 (approximately RMB3.91 based on the December 2006 exchange rate of HK\$1 to RMB1.047) per Share and HK\$2.69 (approximately RMB2.82 based on the December 2006 exchange rate of HK\$1 to RMB1.047) per Share and the Group’s net profit after tax of approximately RMB160 million for FY 2006, the price to earnings ratio would range from 10.60 to 14.82. Taking into account the fact that (i) the Sales Assets are to be deployed for the same product type (albeit under different brands) as the principal products of the Group; (ii) the price/earnings multiple of the Shares of 8.8 times and 9.3 times (based on the HK\$2.22 (approximately RMB2.32 based on the December 2006 exchange rate of HK\$1 to RMB1.047), being the 5 day average closing price per Share disclosed above and (i) the FY2006 basic earnings per share of RMB26.35 cents, and (ii) diluted earnings per share of RMB24.93 cents (assuming all share options issued under the Company’s pre-IPO share option scheme, the over-allotment option exercised as per the Company’s announcement dated 8 January 2007 and conversion of the convertible bond issued by the Company to Neng Liang Limited have been exercised, respectively); and (iii) other factors referred to above, the Directors (including the independent non-executive Directors) consider the Consideration fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The revenue and operating profits before tax of CLTE are set out as follows:

	<b>9 months ended 30 September 2007</b>	<b>FY2006</b>	<b>FY2005</b>
Revenue	RMB148.3 million	RMB154.1 million	RMB172.4 million
Operating profits before tax	RMB31.0 million	RMB29.6 million	RMB39.6 million

The Company expects to fund the cash component of the Consideration partly through its working capital and partly through the initial public offering proceeds as an intended use. It is stated in the Company’s prospectus dated 11 December 2006 that part of the proceeds from the initial public offering would be used for the purpose of expanding its sales network including through the acquisition of an established business of the Group’s competitors.

The Consideration Shares are not subject to any lock-up.

## **General Mandate**

The Consideration Shares will be allotted and issued under the General Mandate which was granted to the Directors pursuant to an ordinary resolution of the Company passed at its annual general meeting on 10 May 2007 to allot and issue up to 198,400,249 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date. The General Mandate has not previously been utilised prior to the entering into of the Agreement.

Application will be made by the Company to the Stock Exchange for the grant of the listing of and the permission to deal in the Consideration Shares on the Stock Exchange.

The issue price per Consideration Shares is HK\$2.05. The maximum number of Consideration Shares which may be issued represents 6.05% of the total issued share capital of the Company as at the date of this announcement and 5.70% of the total issued share capital as enlarged by such issue.

## **CLTT Completion Date**

The CLTT Completion Date is when the purchase of the Sale Interest and Sale Assets are completed. The Vendor has undertaken to procure that after the CLTT Completion Date, CLTE and related previous management would not compete with the Group under the “*Chaolitong 超力通*” brand or otherwise. Apart from certain agreed key personnel previously involved in the “*Chaolitong 超力通*” business who are also required to enter into employment contracts with CLTT, CLTT will employ such other staff as it considers necessary.

## **Adjustment to the Consideration**

The final price for the purchase of the Sale Assets will not exceed RMB36.5 million but is to be fixed after the details of the Sale Assets are finalized by the Purchaser, including verification by the Purchaser that certain raw materials are in acceptable condition. The Purchaser will make its determination by reference to factors such as the audited value (as at 31 December 2007) of the raw materials available on that date, the age and utility of such raw materials. To the extent that the Purchaser elects to accept delivery of raw materials which when aggregated with the agreed value of the other Sale Assets is less than RMB36.5 million, the Vendor has undertaken to procure that CLTE refunds the difference to CLTT in cash on a dollar-to-dollar basis. The total amount of raw materials as of 30 September 2007 was approximately RMB36.5 million based on CLTE’s audited accounts prepared in accordance with PRC GAAP for the nine month period ended 30 September 2007.

The Directors (including the independent non-executive Directors) consider the terms of the Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

## Conditions precedent

Completion of the Acquisition is conditional upon the satisfaction or waiver of the following conditions, among others:

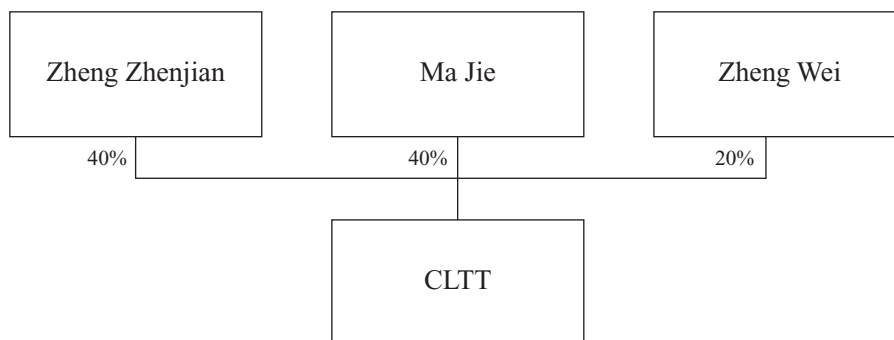
- (i) the due diligence review of, among other things, the business, operations and financial positions of CLTE and CLTT having been completed to the satisfaction of the Group;
- (ii) a PRC legal opinion from the Group's PRC legal advisers in such form as satisfactory to the Company, in relation to, among other things, the due incorporation of CLTT and the relevant approvals for the transfer of the Sale Interest;
- (iii) all approvals, consents and permits in relation to the transaction have been obtained, including but not limited to the listing approval of the Consideration Shares from the Stock Exchange; and
- (iv) CLTE and CLTT having entered into the asset transfer agreement in the agreed form.

## SHAREHOLDING STRUCTURE OF CLTT AND CLTE

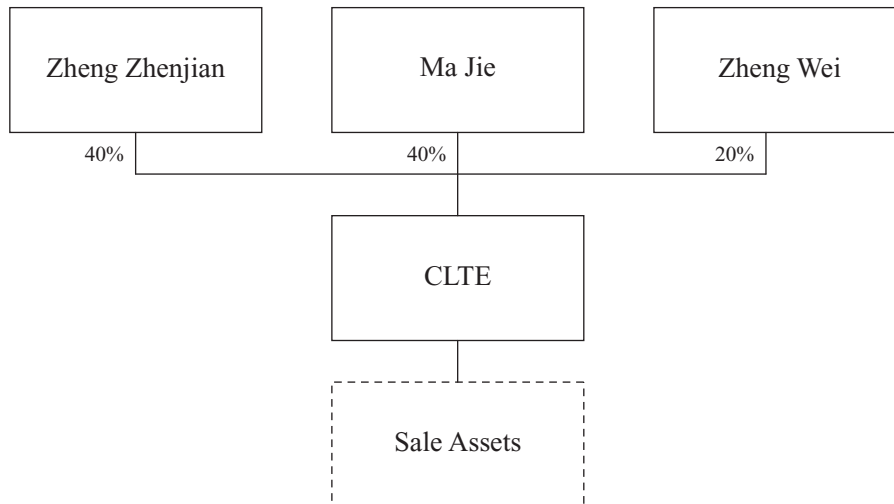
The following diagrams illustrate the shareholding structure of CLTT and CLTE immediately before and after Completion.

### Immediately before CLTT Completion Date and as at the date of this announcement

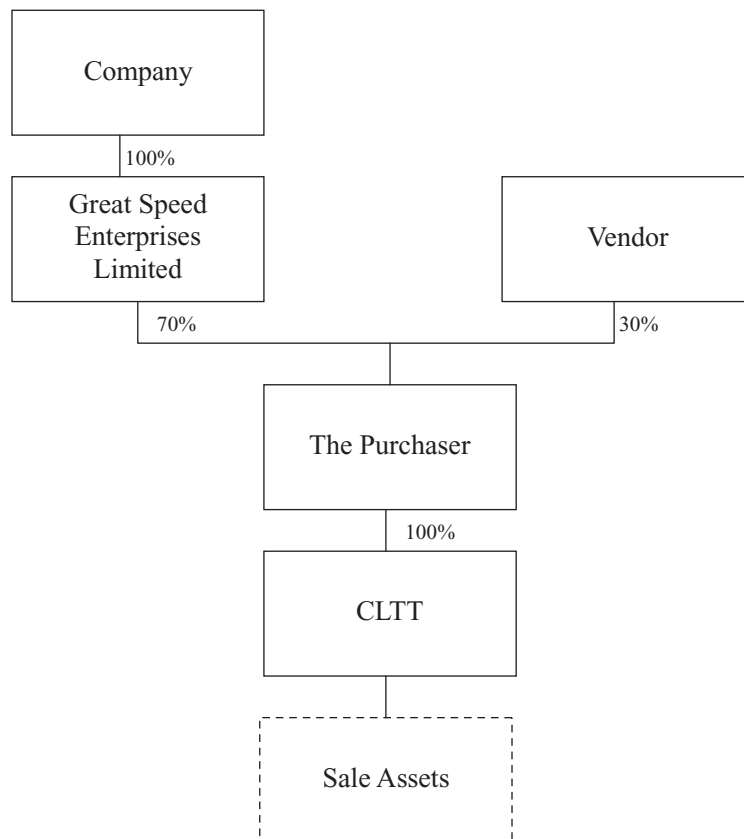
#### CLTT



## CLTE



## Immediately after the CLTT Completion Date





## Lease agreement

It is expected that after the date of the Agreement, CLTT and CLTE may enter into a lease agreement whereby CLTT will lease the factory and office premises from CLTE in Shenzhen. The annual rental payable is expected to be approximately RMB3.6 million subject to final agreement. The Original Shareholders are also expected to become directors of CLTT upon the CLTT Approval Date and which, by then, CLTT will have become an indirect subsidiary of the Company. If such lease is entered into, the lease may be a continuing connected transaction for the Group as CLTE and the Original Shareholders could be considered as associates (as defined in the Listing Rules) of the Vendor, being a substantial shareholder of one of the Company's subsidiaries, namely, the Purchaser. Further announcement and related compliance with the Listing Rules will be made as and when required.

## INFORMATION ON THE VENDOR, CLTT, CLTE AND THE “CHAOLITONG 超力通” BUSINESS

CLTT was incorporated in China with limited liability and is not currently engaged in any business activities. Its total registered capital is RMB2 million, which has been fully paid. CLTE was incorporated in China with limited liability and is one of the Group's largest rivals which principally engaged in the manufacture and sale of rechargeable battery packs in China for mobile phones under the “*Chaolitong* 超力通” brand. The Sale Assets represent the principal operating assets of CLTE. CLTE has a total registered capital of RMB20 million which has been fully paid. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the ultimate beneficial owners of each of CLTT and CLTE, being the Original Shareholders, is not a connected person of the Company (other than as a result of them being involved in the Acquisition in the manner stated in this announcement).

Based on the Chinese audited accounts for FY2005 and FY2006 prepared under PRC GAAP provided to the Company, the net profit before and after taxation and extraordinary items attributable to CLTE which operates the “*Chaolitong* 超力通” brand business were as follows:

	<b>Net profit before taxation and extraordinary items</b>	<b>Net profit after taxation and extraordinary items</b>
FY2005	RMB39.6 million	RMB36.3 million
FY2006	RMB29.6 million	RMB27.4 million

## **Arrangements between the Vendor and the Original Shareholders**

Save for the connected person relationship of the Vendor by way of its 30% interest in the Purchaser, the Vendor has no other interests in the other operations of the Group. As at the date of the Agreement, the Vendor does not own the Sale Interest or the Sale Assets. The Company was informed by the Original Shareholders during negotiations that they have delegated the negotiations and contractual arrangements relating to the Acquisition to the Vendor and that the Company should primarily deal with the Original Shareholders via the Vendor. The Original Shareholders are the owners of CLTE. At the start of negotiations with the Group, the Company was directed by them to discuss with the Vendor due to initial sensitivities of negotiations between industry competitors. The Group had, prior to signing the Agreement, engaged a Chinese law firm for legal due diligence, a Chinese accounting firm for financial due diligence and relied on its own due diligence for business due diligence since CLTE and the Group are in the same industry. As discussions progressed, it also became apparent that CLTE had other assets, businesses and liabilities that the Group would not be interested in. Once the details of the Acquisition had been finalised and also involved the Consideration Shares, the Original Shareholders found that it would be convenient to nominate a Hong Kong resident to open a securities account in Hong Kong and hold the Consideration Shares. The Original Shareholders and Vendor therefore agreed that the Vendor would be a party to the contract with the Company. The Company has been informed that for his role in the negotiations with the Group, the Vendor and the Original Shareholders also came to agree private commercial arrangements among themselves. The Vendor has confirmed that as part of his arrangements with the Original Shareholders, assuming the Original Shareholders comply with the agreed terms, he will be entitled to 0.5% of the Consideration. If the Original Shareholders do not abide by their undertakings and/or the NPAT Targets are not met, the Original Shareholders entitlement to the Consideration will be accordingly reduced. These arrangements were to ensure that the Vendor would minimise any risk to himself under the Agreement in case the Original Shareholders did not abide by their agreement to join CLTT and manage the business. The Group is not party to such arrangements (if any). The structure of the transaction is designed to ensure (i) that the Group acquires the Assets without associated liabilities (including taxation liabilities) in an efficient and lawful manner; (ii) accountability and alignment with the Group of interests of the Vendor for the successful implementation of the transaction; and (iii) retention of existing key management on terms which is compliant with PRC laws.

So as to safeguard the Group's interest in the cash flows involved in this Acquisition, a loan of RMB37 million would only be made to the Purchaser (a 70% subsidiary of the Company) upon the CLTT Approval Date and, subject to compliance with the relevant Chinese regulatory requirements, the Purchaser would remit the relevant funds to CLTT. Once such funds have been injected into CLTT (and not before) payment to CLTE would only be made on the CLTT Completion Date with the simultaneous completion of the purchase of the Sale Interest and the Sale Assets. Until such time that funds are paid to CLTE, only the Group's authorised signatories (not the Vendor nor the Original Shareholders) are permitted to deal in such funds. The balance of the Consideration, being up to RMB208 million in cash and Consideration Shares, will only be paid and/or issued after CLTT Completion Date when the transfer of the Sale Assets to CLTT has been completed.

## REASONS FOR THE ACQUISITION

The Group is a market leader in the sales and marketing of self-manufactured rechargeable battery packs for mobile phones in the PRC under its own “SCUD 飛毛腿” brand. For more information, please visit the Group’s website at <http://www.scudcn.com>. The Directors believe that with the acquisition of the Sale Interest, the Sale Assets and employment of certain previous management of CLTE, the Group will benefit from the following main factors:

- (i) the “*Chaolitong* 超力通” brand has a solid sales network covering second, third-tier cities, towns and villages in the PRC, thus complementing the Group’s lack of sales coverage in these areas whilst increasing the Group’s market share both under the “SCUD 飛毛腿” and “*Chaolitong* 超力通” brands within a short period of time;
- (ii) the Group’s product variety will be expanded and the rate of its research and development will improve;
- (iii) both of the Group’s production capacity and efficiency will be increased, thus reducing costs of production and sourcing of raw materials; and
- (iv) the level of market competition against the Group will decrease by way of consolidating two of the largest mobile phone battery pack manufacturers in China since the “*Chaolitong* 超力通” brand is one of the largest rivals to the “SCUD 飛毛腿” brand of battery packs in China. As a result market prices will become more stable and the overall margin of the Group’s products will improve.

For the first nine months ended 30 September 2007, CLTE had revenue of approximately RMB148.3 million whilst the revenue for the full year of 2006 amounted to RMB154.1 million. Operating profits before tax of CLTE amounted to RMB31.0 million for the nine months ended 30 September 2007 whilst it was RMB29.6 million for the full year of 2006.

## CERTAIN EFFECTS OF THE ACQUISITION

The following table illustrates the shareholding details of the Company before and after the Acquisition:

Name of Shareholders	Shareholding before Acquisition (as at the date of this Announcement)	Shareholding after Acquisition (assuming NPAT Targets not met and minimum 30 million Consideration Shares issued)	Shareholding after Acquisition (assuming all NPAT Targets met and maximum 60 million Consideration Shares issued)
Swift Joy Holdings Limited	402,000,000 (40.52%)	402,000,000 (39.33%)	402,000,000 (38.21%)
Right Grand Holdings Limited	180,000,000 (18.15%)	180,000,000 (17.61%)	180,000,000 (17.11%)
Cheer View Holdings Limited	18,000,000 (1.81%)	18,000,000 (1.76%)	18,000,000 (1.71%)
Public	392,001,246 (39.52%)	392,001,246 (38.36%)	392,001,246 (37.27%)
Vendor	N/A	30,000,000 (2.94%)	60,000,000 (5.70%)

Upon completion of the acquisition of CLTT, it will be accounted for as a subsidiary of the Company and its results, assets and liabilities will be consolidated in the Group's financial statements. On completion of the purchase by CLTT of the Sale Assets, they will become assets of CLTT and be accounted for accordingly.

## **FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS**

Save for the listing proceeds raised by the Company pursuant to its listing on the Stock Exchange on 21 December 2006 (and the exercise of the over-allotment option as announced in the Company's announcement dated 8 January 2007), the Company had not carried out any fund raising exercise issuing any equity securities in the 12-month period immediately preceding the date of this announcement.

The net proceeds from the Company's listing (together with the exercise of the over-allotment option) amounted to approximately HK\$604 million. Throughout the past 12 months, the Company applied approximately HK\$78 million and approximately HK\$195 million as capital injection to Scud (Fujian) Electronics Co. Ltd. and Scud (Fujian) Battery Co. Ltd. respectively (which was subsequently utilised as intended to construct new factories, funded the establishment of new production lines, promotion and advertising and repayment of bank borrowing). The Group has also applied (as intended) a further approximately HK\$20 million for the construction of new factories. The unutilised proceeds are held as deposits with commercial banks in Hong Kong and are expected to be utilised as stated in the Company's prospectus dated 11 December 2006.

## **LISTING RULES IMPLICATIONS**

As at the date of the Agreement, the Vendor was interested in 30% of the total issued share capital of the Purchaser and therefore a substantial shareholder of the Company's subsidiary. The Vendor is thus a connected person of the Company. By virtue of the Vendor's interest in the Purchaser, the transactions contemplated under the Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Given certain of the applicable percentage ratios exceed 5% but are less than 25%, the Acquisition constitutes discloseable transactions of the Company under the Listing Rules.

Pursuant to the Listing Rules, the Acquisition is conditional on the approval by independent shareholders. However, where no Shareholder is required to abstain from voting if the Company was to convene a general meeting for the approval of the connected transaction, a written resolution from the shareholders of a closely allied group of shareholders who together hold more than 50% in normal value of the Shares to approve the connected transaction is sufficient. As no Shareholder is required to be abstained from voting on the Acquisition, the Company has applied to the Stock Exchange for a waiver from the requirement to hold a physical shareholders' meeting to approve the Acquisition and, instead this Acquisition will be approved by way of a written resolution from its controlling shareholders, being Swift Joy Holdings Limited, Right Grand Holdings Limited and Cheer View Holdings Limited, who together hold more than 50% Shares in the Company. Swift Joy Holdings Limited, Right Grand Holdings Limited and Cheer View Holdings Limited are wholly owned companies of Mr. Fang Jin, Mr. Lin Chao and Mr Guo Quan Zeng respectively, all of whom are directors of the Company. As at the date of this

announcement, Swift Joy Holdings Limited, Right Grand Holdings Limited and Cheer View Holdings Limited held 402,000,000 Shares, 180,000,000 Shares and 18,000,000 Shares respectively, representing in aggregate approximately 60.48% of the total issued share capital of the Company as of the date of this Announcement. The written resolutions were passed on 18 December 2007.

An independent financial adviser will be appointed pursuant to the requirements of the Listing Rules and a circular containing details of the Acquisition together with a letter from an independent financial adviser will be dispatched to the Shareholders as soon as practicable.

## **RESIGNATION OF AUDITORS**

The Board announces that on 11 December 2007, it had received a letter from Deloitte notifying the Company of Deloitte's resignation as auditors of the Group with effect from 10 December 2007. The Company is given to understand that in light of the possibility of limitation on the scope of its audit due to the fire which occurred on 31 May 2007, Deloitte needs to devote significant additional resources to audit the loss of inventories and products during the fire, thus resulting in a significant increase in the audit fee accordingly, details of such fire are set out in the Company's announcement dated 1 June 2007. The Group and Deloitte could not reach a consensus on the audit fee and as a result Deloitte resigned as auditors of the Group.

In their letter of resignation, Deloitte have confirmed that there are no circumstances connected with their resignation which they consider should be brought to the attention of the holders of securities of the Company.

## **GENERAL UPDATE**

The Company is progressing its full resumption of production as planned. It has also received insurance compensation of approximately RMB52.2 million from its insurers in respect of its losses due to the fire reported in the Company's announcement dated 1 June 2007. As stated in its interim report for the six months ended 30 June 2007, the Group's insurance coverage was for up to RMB100 million for loss of inventory and products. The insurance compensation represents the agreed results between the Company and the insurer after taking into account the nature and extent of the losses and the level of insurance coverage.

To date, production has resumed in phases as per management's expectation and, as stated in the Company's interim report for the six months ended 30 June 2007, management continues to expect that the Group will resume full resumption of normal operations in early 2008.

## SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 12 December 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 21 December 2007.

## DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

“Acquisition”	the proposed acquisition by the Purchaser of the Sale Interest and the Sale Assets pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 12 December 2007 entered into by the Company and the Vendor in respect of the Sale Interest and the Sale Assets
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which banks are open for business in Hong Kong
“CLTE”	Chaolitong Electronics Company Limited (深圳市超力通電子有限公司), a company incorporated in the PRC
“CLTT”	Chaolitong Technology Company Limited (深圳市超力通科技有限公司), a company incorporated in the PRC
“CLTT Approval Date”	The date on which the Company receives all relevant approvals required from Chinese regulatory authorities for the purchase of the Sale Interest by the Purchaser from an Independent Third Party (or such later date as the parties may agree)
“CLTT Completion Date”	the date on which all the conditions to the Agreement are fulfilled (or waived, as the case may be) and the acquisition of the Sale Interest and Sale Assets are completed
“Company”	SCUD Group Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the aggregate consideration of approximately RMB245 million (equivalent to approximately HK\$257.91 million) payable by the Group for the Sale Interest and the Sale Assets under the Agreement
“Consideration Shares”	Up to 60 million Shares to be allotted and issued at the price of HK\$2.05 per Share, credited as fully paid, to the Vendor if the relevant profit targets are met
“Deloitte”	Deloitte Touche Tohmatsu, a firm of certified public accountants
“Directors”	Directors of the Company
“FY2005”	financial year ended 31 December 2005
“FY2006”	financial year ended 31 December 2006
“FY2008”	financial year ending 31 December 2008
“FY2009”	financial year ending 31 December 2009
“FY2010”	financial year ending 31 December 2010
“General Mandate”	the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with shares of the Company up to 20% of the issued share capital of the Company pursuant to the ordinary resolution of the Shareholders passed in the annual general meeting of the Company held on 10 May 2007
“Group”	the Company and its subsidiaries, and following CLTT Completion Date, would include CLTT
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standard
“Independent Third Party”	Third parties independent of the Company and connected persons of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ma”	Ma Yuk Sang, a Hong Kong resident and a connected person of the Company by way of his 30% interest in the Purchaser



“NPAT Targets”	the net profit after tax targets for FY2008, FY2009 and FY2010
“Original Shareholders”	Zheng Zhenjian (鄭鎮堅), Ma Jie (馬杰) and Zheng Wei (鄭偉) who together own the entire equity interest in CLTE and CLTT as at the date of the Agreement
“PRC”	the People’s Republic of China
“Purchaser”	Joint Smart Holdings Limited, a company incorporated in Hong Kong and which the share capital is owned by the Company and the Vendor as to 70% and 30% respectively
“Sale Assets”	the production equipment, inventory and intellectual property rights of CLTE
“Sale Interest”	entire equity interest in CLTT
“Share(s)”	shares(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mr. Ma, a Hong Kong resident
“RMB”	Renminbi, the lawful currency of Hong Kong
“sq.m.”	square metre
“%”	per cent.

Unless otherwise specified, this announcement contains translations between RMB and HK\$ at the rate of RMB1.00 = HK\$1.0527. The translation should not be taken as a representation that the relevant currency could actually be converted into HK\$ at that rate or at all.

Hong Kong, 20 December 2007

*As at the date of this announcement, the Board comprises Messrs. Fang Jin, Lin Chao, Guo Quan Zeng and Li Hui Qiu being the executive Directors, Mr. Ho Man being the non-executive Director, and Messrs. Heng Kwo Seng, Wang Jing Zhong and Wang Jian Zhang being the independent non-executive Directors.*

By Order of the Board  
**SCUD GROUP LIMITED**  
**Fang Jin**  
*Chairman*